

Message Text

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FM AMEMBASSY MANILA

TO DEPT OF TRSY WASHDC IMMEDIATE

SECSTATE WASHDC IMMEDIATE 2570

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PLS PASS IMMEDIATELY 8A.M. WEDNESDAY, APRIL 23 TO SECRETARY
KISSINGER AND TREASURY PUBLIC AFFAIRS OFFICER JAMES SITES

SUBJ: SECRETARY SIMON'S SPEECH BEFORE THE ASIAN DEVELOPMENT BANK
IN MANILA

BELOW PLEASE FIND TEXT FOR SECRETARY SIMON'S OPENING
STATEMENT TO ASIAN DEVELOPMENT BANK MEETING.

THE OPENING PART OF STATEMENT ON U.S. ROLE IN ASIA CLOSELY
FOLLOWS MATERIAL KINDLY SUPPLIED BY SECRETARY KISSINGER. SECRETARY
SIMON WOULD, HOWEVER, APPRECIATE ANY ADDITIONAL SUGGESTIONS FROM
STATE. WE ARE PARTICULARLY ANXIOUS TO CHECK THE THIRD PARAGRAPH
OF SPEECH, AS WE ARE UNCERTAIN ABOUT THE PRESIDENT'S CURRENT TRAVEL
PLANS.

PLEASE NOTE THAT THE SPEECH IS SCHEDULED FOR DELIVERY AT 3 A.M.
WASHINGTON TIME, THURSDAY, APRIL 24.

THE SECRETARY WOULD LIKE THE SPEECH TO BE RELEASED TO THE PRESS
THROUGH THE TREASURY DEPARTMENT. IT WILL BE RELEASED SIMULTANEOUSLY
HERE BY EMBASSY MANILA AND THE ADB.

THANK YOU FOR YOUR ASSISTANCE.

DAVE GERGEN

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TEXT OF SPEECH FOLLOWS:

STATEMENT BY THE HONORABLE WILLIAM E. SIMON
SECRETARY OF THE TREASURY
BEFORE THE EIGHTH ANNUAL MEETING OF
THE ASIAN DEVELOPMENT BANK
MANILA, APRIL 24 1975

ON BEHALF OF THE UNITED STATES DELEGATION, I WANT TO
EXPRESS TO ALL OF YOU OUR PLEASURE AT ATTENDING THIS EIGHTH
ANNUAL MEETING OF THE ASIAN DEVELOPMENT BANK.

I ALSO WANT TO EXTEND TO YOU THE WARMEST PERSONAL GREETINGS
OF ONE OF THE STRONGEST FRIENDS OF THIS ORGANIZATION, THE PRESIDENT
OF THE UNITED STATES.

IN THE EIGHT MONTHS SINCE HE HAS TAKEN OFFICE, PRESIDENT FORD
HAS ALREADY MADE ONE VISIT TO THE ASIAN AREA, AND HE HOPES TO
VISIT SEVERAL OTHER REGIONAL MEMBERS OF THE ADB BEFORE THE
END OF THIS CALENDAR YEAR. HIS TRIPS ARE A VISIBLE SYMBOL
OF THE UNITED STATES' CONTINUING COMMITMENT TO THIS PART OF
THE WORLD.

ROLE OF THE UNITED STATES IN ASIA

BECAUSE OF RECENT EVENTS IN INDOCHINA, I WOULD LIKE TO
OPEN MY REMARKS THIS AFTERNOON BY TALKING BRIEFLY ABOUT THE
UNITED STATES IN ASIA, FOR IT IS IMPORTANT THAT ALL OF
US KEEP THAT ROLE IN PERSPECTIVE.

THE HISTORY OF AMERICAN FRIENDSHIP AND MUTUAL COOPERATION
WITH THE NATIONS OF THIS REGION EXTENDS BACK FOR MORE THAN
A CENTURY. WE HAVE SACRIFICED MANY OF OUR FINEST YOUNG MEN
FIGHTING IN ASIA TO PRESERVE HUMAN FREEDOMS, AS YOU CAN
READILY SEE BY VISITING THE ENORMOUS CEMETERY FOR AMERICAN
SERVICEMEN THAT LIES JUST OUTSIDE THIS CITY. WE HAVE
SUPPORTED THE EFFORTS OF MANY PEOPLE HERE TO GAIN THEIR
INDEPENDENCE AND TO BECOME VIABLE NATION-STATES. AND WE
HAVE GIVEN GENEROUSLY OF OUR FINANCIAL RESOURCES, CONTRIBUTING
MORE ECONOMIC AND HUMANITARIAN ASSISTANCE TO REGIONAL ADB
MEMBERS SINCE WORLD WAR II THAN THE REST OF THE WORLD COMBINED.

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SINCE THE LAST WORLD WAR, U. S. BILATERAL CONCESSIONAL
ASSISTANCE TO REGIONAL MEMBERS OF THE ADB HAS TOTALED \$35.3
BILLION, MOREOVER, WE HAVE PROVIDED A SIGNIFICANT SHARE OF
THE RESOURCES OF THE MULTILATERAL INSTITUTIONS, NOT ONLY THE
ADB TO WHICH WE HAVE CONTRIBUTED \$342.6 MILLION IN
CONCESSIONAL FUNDS AND SHARE SUBSCRIPTIONS, BUT ALSO
TO THE WORLD BANK AND IDA, TO WHICH OUR CONTRIBUTIONS
HAVE TOTALED \$10.3 BILLION. AS SOME OF THE COUNTRIES OF

THIS REGION HAVE PROPOSED, LESS CONCESSIONAL LENDING HAS BECOME MORE APPROPRIATE. THE U. S. EXPORT-IMPORT BANK HAS LOANED \$7.8 BILLION TO THE REGIONAL MEMBERS OF THE ADB, OF WHICH \$1.9 BILLION HAS BEEN LENT IN THE PAST THREE YEARS. I MIGHT ALSO NOTE THAT TWO THIRDS OF ALL ALLOCATION OF OUR PUBLIC LAW 480 PROGRAM IS BEING TARGETED ON ADB REGIONAL MEMBERS IN THE CURRENT FISCAL YEAR.

AGAINST THIS BACKGROUND, THE DEVELOPMENTS IN INDOCHINA ARE A SOURCE OF DEEP CONCERN FOR MY GOVERNMENT, AS I AM SURE THEY ARE FOR ALL ASIAN GOVERNMENTS. THE FALL OF THE CAMBODIAN GOVERNMENT LESS THAN TWO WEEKS AGO, AND THE TRAGIC SCENES WE ARE WITNESSING IN VIETNAM, SEEM TO CONTRADICT THE HOPEFUL EVOLUTION WHICH HAS TAKEN PLACE ELSEWHERE IN THE REGION IN THE LAST SEVERAL YEARS -- AN EVOLUTION TOWARD COOPERATION AND AWAY FROM CONFRONTATION, TOWARD PEACE AND AWAY FROM WAR.

I HAVE NO DOUBT THAT MANY GOVERNMENTS OF ASIA ARE CONCERNED THAT INDOCHINA, AND OUR REACTIONS TO EVENTS THERE, MAY PORTEND A BASIC CHANGE IN THE UNITED STATES ROLE IN ASIA. THERE HAVE BEEN PUBLIC EXPRESSIONS OF THAT CONCERN ALREADY -- SUGGESTIONS THAT THE UNITED STATES CAN NO LONGER BE RELIED UPON BY ITS FRIENDS. I CAN CERTAINLY UNDERSTAND THOSE FEARS, BUT IN VIEW OF THE LONG HISTORY OF OUR FRIENDSHIP IN THIS REGION AND OUR RESOLVE FOR THE FUTURE, I AM CONFIDENT THAT SUCH FEARS ARE UNWARRANTED.

LK PRESIDENT FORD SPOKE DIRECTLY TO THESE QUESTIONS IN A MAJOR FOREIGN POLICY ADDRESS TO OUR CONGRESS EARLIER THIS MONTH. HE URGED THAT FOREIGN GOVERNMENTS NOT BE MISLED, FOR OUR WILL REMAINS STRONG AND OUR PURPOSES CLEAR. IN THE PRESIDENT'S WORDS:

"WE WILL STAND BY OUR FRIENDS.

"WE WILL HONOR OUR COMMITMENTS.

"WE WILL UPHOLD OUR COUNTRY'S PRINCIPLES."

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NOWHERE ARE THOSE VIEWS MORE RELEVANT THAN IN ASIA. WE HAVE BASIC COMMITMENTS IN THIS REGION, BOTH BILATERAL AND MULTILATERAL. WE REGARD THOSE COMMITMENTS AS IMPORTANT TO OUR OWN INTERESTS AND TO THE INTERESTS OF THE NATIONS WITH WHICH WE ARE ASSOCIATED, AND WE WILL UPHOLD THEM. THERE WILL BE NO CHANGE IN THE FUNDAMENTAL DIRECTION OF AMERICAN POLICY TOWARD ASIA -- AND THERE WILL BE NO AMERICAN "WITHDRAWAL" FROM THIS VAST REGION. OUR FRIENDS NEED NOT FEAR, AND OUR ADVERSARIES SHOULD BEWARE

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OF ADOPTING POLICIES WHICH ARE PREDICATED ON A MISCALCULATION
OF OUR FIRMNESS OF PURPOSE.

THE UNITED STATES WILL CONTINUE TO SEEK BETER RELATIONSHIPS
WITH THE MAJOR COMMUNIST POWERS -- AS WE BELIEVE THIS BENEFITS
ALL NATIONS -- BUT DTZUFO:/CHMI NGAKLPHNI

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DQMKYBUE ON OUR RELATIONS WITH OUR FRIENDS OF LONG STANDING
IN ASIA AND AROUND THE WORLD. WE WILL CONTINUE TO WORK
COOPERATIVELY WITH OUR FRIENDS IN MAINTANING AND STRENGTHENING
THE SECURITY OF ASIA, AND WE WILL JOIN OUR EFFORTS TO THEIRS
IN BUILDING PROSPERITY IN THE REGION. FOR THE UNITED STATES,
THERE CAN BE NO ALTERNATIVE IN A WORLD THAT IS INCREASINGLY
INTERDEPENDENT. THE UNITED STATES, AS A NATION OF THE PACIFIC
AS WELL AS THE ATLANTIC, MUST AND WILL REMAIN ACTIVELY INVOLVED
IN THE PROBLEMS AND THE DEVELOPMENT OF ASIA.

THE INTERNATIONAL ECONOMY

JUST AS THE UNITED STATES IS LEARNING TO LIVE IN AN
INTERDEPENDENT ENVIRONMENT, SO TOO THE NATIONS OF ASIA FIND
THAT THEIR ECONOMIC DESTINIES ARE INCREASINGLY LINKED TO THOSE
OF THE GLOBAL COMMUNITY. THE CHALLENGES POSED IN THE AREAS
OF FOOD AND FUEL ARE BUT THE MOST DRAMATIC EXAMPLES OF AN
INTERDEPENDENT WORLD. BEFORE FOCUSING, THEN, ON THE ASIAN
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DEVELOPMENT BANK, LET ME SPEND A FEW MOMENTS REVIEWING THE

STATE OF THE INTERNATIONAL ECONOMY.

AT LAST YEAR'S MEETING OF THE BANK, INFLATION WAS PLAGUING MUCH OF THE WORLD. THAT INFLATION GREW PARTLY OUT OF THE SIMULTANEOUS BOOM CONDITIONS OF 1972 AND 1973 IN THE MAJOR COUNTRIES AND PARTLY FROM LONG-STANDING GOVERNMENT POLICIES IN MANY COUNTRIES, INCLUDING MY OWN, THAT SERVED TO FUEL INFLATIONARY PRESSURES. THE STEEP INCREASE IN INTERNATIONAL FOOD AND OIL PRICES, OF COURSE, SEVERELY AGGRAVATED THAT INFLATIONARY TREND.

SINCE LAST YEAR'S MEETING, MOST OF OUR COUNTRIES HAVE MOVED TEMPORARILY INTO A GENERALIZED CONDITION OF MINIMUM OR NEGATIVE GROWTH AND SUBSTANTIAL UNEMPLOYMENT. INFLATION, WHILE DIMINISHING, ALSO CONTINUES TO BE THE MOST FUNDAMENTAL LONG-TERM ECONOMIC PROBLEM FACING MANY NATIONS. WITH THE ACUTE STRAINS OF CURRENT ECONOMIC CONDITIONS, THERE IS A NATURAL TENDENCY FOR NATIONS TO TURN INWARD AND TO SEEK ECONOMIC SOLUTIONS AT THE EXPENSE OF THEIR TRADING PARTNERS. ALTHOUGH THE SOLUTIONS MUST BEGIN AT HOME, WE CAN ALL DO A BETTER JOB AT SOLVING OUR PROBLEMS THROUGH INTERNATIONAL COOPERATION. MUTUAL PROSPERITY DEPENDS ON MUTUAL COOPERATION MORE HEAVILY NOW THAN EVER BEFORE.

CLEARLY, THE CENTRAL CHALLENGES OF INTERNATIONAL ECONOMIC POLICY TODAY ARE:

- FIRST, TO RESTORE ECONOMIC GROWTH AND PRICE STABILITY AROUND THE WORLD;
- SECOND, TO ADAPT TO THE ENERGY SHOCK IN WAYS THAT WILL PROVIDE MORE SECURE SOURCES OF ENERGY AND WILL SUPPORT A PATTERN OF ORDERLY GROWTH; AND,
- THIRD, TO ADJUST OUR FINANCIAL POLICIES TO ACCOMMODATE MASSIVE SHIFTS IN INTERNATIONAL FLOWS OF FUNDS.

THE ROLE OF INTERNATIONAL DEVELOPMENT BANKS MUST BE SEEN IN THE CONTEXT OF THESE CHALLENGES. BUT THESE INSTITUTIONS SHOULD NOT BE DIVERTED FROM THEIR FUNDAMENTAL PURPOSE OF PROMOTING LONG-TERM ECONOMIC GROWTH. THEY SHOULD NOT TRY TO SOLVE SHORT-TERM BALANCE OF PAYMENT PROBLEMS FOR WHICH OTHER INSTITUTIONS EXIST AND FOR WHICH OTHER VEHICLES ARE BEING DEVELOPED.

IN 1974, MANY OF THE DEVELOPED COUNTRIES WHICH HAVE TRADITIONALLY TRANSFERRED RESOURCES AND CAPITAL TO THE DEVELOPING WORLD WERE THEMSELVES UNABLE TO COVER THEIR LIMITED OFFICIAL USE

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IMPORTS OF GOODS AND SERVICES WITH EXPORT EARNINGS AND HAD TO BORROW ON AN UNPRECEDENTED SCALE. YET THESE COUNTRIES, INCLUDING MY OWN, HELD STEADY IN CONTINUING THEIR AID FOR DEVELOPING COUNTRIES. FOR MOST DONOR COUNTRIES, THIS IS A NEW SITUATION IN WHICH THEY MUST, IN EFFECT, BORROW IN ORDER TO PROVIDE ASSISTANCE. IN MOST CASES, THE INTEREST AND TERMS OF SUCH BORROWING ARE FAR HARDER THAN THE TERMS OF THE AID THEY ARE GIVING.

THE NON-OIL DEVELOPING COUNTRIES WERE ALSO FORCED TO INCREASE THEIR BORROWINGS SUBSTANTIALLY, THEREBY ADDING TO AN ALREADY HEAVY DEBT BURDEN.

FOR ALL OIL-IMPORTING NATIONS, THERE WERE ALSO FEARS THAT THE INTERNATIONAL FINANCIAL SYSTEM MIGHT COLLAPSE FROM THE DISRUPTIONS OF TRADITIONAL PAYMENT PATTERNS AND FEARS THAT SOME COUNTRIES MIGHT EVEN BE FORCED INTO BANKRUPTCY. NEITHER OF THESE FEARS HAS MATERIALIZED. DESPITE SOME STRAINS, THE FINANCIAL SYSTEM REMAINS SUFFICIENTLY FLEXIBLE AND OPEN TO ADAPT SUCCESSFULLY TO THE CHANGED PATTERNS OF INTERNATIONAL CAPITAL FLOWS. WE HAVE WORKED TOGETHER IN BOTH THE PUBLIC AND PRIVATE SECTORS TO ESTABLISH NEW FINANCIAL TECHNIQUES AND MECHANISMS WHERE THERE HAS BEEN CONCERN THAT SUPPLEMENTAL ARRANGEMENTS ARE NEEDED. COUNTRIES WERE ALSO ABLE TO AVOID POTENTIAL BANKRUPTCIES BY SHIFTING THEIR DOMESTIC POLICIES AND BY OBTAINING A CERTAIN AMOUNT OF ASSISTANCE FROM OTHER NATIONS. IN BOTH INSTANCES, THE SUCCESS OF THE OIL-IMPRTING NATIONS IN AVERTING POSSIBLE DISASTERS WAS DUE IN NO SMALL MEASURE TO THE WILLINGNESS OF GOVERNMENTS TO COOPERATE.

COOPERATION AMONG NATIONS HAS HELPED US TO MAKE A GOOD BEGINNING IN COPING WITH MANY NEW CHALLENGES FACING THE DEVELOPING NATIONS. IN PARTICULAR, ESTABLISHMENT OF THE DEVELOPMENT COMMITTEE ASSOCIATED WITH THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK GIVES US A BETTER INSTITUTIONAL FRAMEWORK FOR ADDRESSING THE PROBLEMS OF THE DEVELOPING COUNTRIES. THE NEW COMMITTEE IS GIVING PRIORITY ATTENTION TO THE NEEDS OF THE COUNTRIES MOST SERIOUSLY AFFECTED BY A DECLINE IN THEIR TERMS OF TRADE. AMONG THE SPECIFIC ITEMS IN THE COMMITTEE'S CURRENT WORK PROGRAM ARE:

- A U.S. PROPOSAL FOR A SPECIAL TRUST FUND TO CHANNEL FUNDS ON A HIGHLY CONCESSIONAL BASIS TO THE DEVELOPING COUNTRIES MOST IN NEED;

- A STUDY OF WAYS TO ENABLE DEVELOPING COUNTRIES TO LIMITED OFFICIAL USE

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MAKE GREATER USE OF MARKETS; AND,

- A FOLLOW-UP TO THE CONCLUSIONS REACHED IN THE WORLD FOOD CONFERENCE ON THE FINANCING OF FOOD, FERTILIZER AND FOOD PRODUCTION.

THE UNITED STATES PLANS TO TAKE AN ACTIVE PART IN THE COMING JUNE MEETING OF THE DEVELOPMENT COMMITTEE. WE ARE KEENLY AWARE OF THE PLIGHT IN WHICH MANY OF THE POOREST COUNTRIES FIND THEMSELVES TODAY, AND THROUGH THE DEVELOPMENT COMMITTEE WE ARE DETERMINED TO SEE THAT THE INTERNATIONAL COMMUNITY TAKES APPROPRIATE ACTION.

ALREADY A SUBSTANTIAL VOLUME OF FUNDS HAS BEEN MADE AVAILABLE FROM THE INTERNATIONAL MONETARY FUND'S REGULAR RESOURCES TO MANY COUNTRIES WITH BALANCE OF PAYMENTS DIFFICULTIES-- DEVELOPED AND DEVELOPING COUNTRIES ALIKE. MOREOVER, 2.5 BILLION

NOTE BY OC/T: MANILA 5221, SECTION 2 OF 4 AS RECEIVED. CORRECTION
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SDRS HAVE BEEN LOANED FROM THE IMF SPECIAL OIL FACILITY
ESTABLISHED LAST YEAR. IT HAS BEEN AGREED THAT THE IMF'S
OIL FACILITY WILL BE CONTINUED IN 1975.

LOOKING BEYOND 1975, IMF MEMBERS HAVE AGREED IN PRINCIPLE
TO SEEK AN INCREASE IN IMF QUOTAS WHICH WILL PLACE THE FUND
IN A POSITION TO MAKE SUBSTANTIAL RESOURCES AVAILABLE TO
COUNTRIES IN NEED. THE UNITED STATES HAS AGREED TO SUCH AN
INCREASE, PROVIDED THAT AGREEMENT CAN BE REACHED ON A SERIES
OF IMPORTANT AMENDMENTS TO THE IMF ARTICLES OF AGREEMENT.

IT IS OUR HOPE THAT AGREEMENT ON THIS COMPREHENSIVE
PACKAGE OF QUOTAS AND AMENDMENTS CAN BE COMPLETED BY THE
IMF'S INTERIM COMMITTEE IN JUNE. THE UNITED STATES IS
PREPARED TO WORK WITH OTHER IMF MEMBERS TO DEVELOP ARRANGEMENTS
UNDER WHICH MEMBERS' ACCESS TO IMF RESOURCES COULD BE EXPANDED
AND TO FACILITATE GREATER USABILITY OF THE FUND'S CURRENCY HOLDINGS.

A MAJOR STEP HAS ALSO JUST BEEN TAKEN TO PROVIDE THE
INTERNATIONAL PAYMENTS SYSTEM WITH AN ADDITIONAL MEASURE OF
INSURANCE. TOGETHER WITH THE OTHER OECD COUNTRIES, I WAS
PLEASED TO HAVE SIGNED, TWO WEEKS AGO, AN AGREEMENT ON A NEW
FACILITY TO BE CALLED THE SUPPORT FUND, THAT SUPPLEMENTS IMF
AND OTHER SOURCES OF FINANCING. THIS AGREEMENT ESTABLISHES A
\$25 BILLION SAFETY NET TO BE AVAILABLE TO PARTICIPATING COUNTRIES
AS A SUPPLEMENT TO, BUT NOT A SUBSTITUTE FOR, ESTABLISHED
INTERNATIONAL INSTITUTIONS. THE U. S. CONTINUES TO VIEW
THE IMF AS THE PRINCIPAL SOURCE OF MULTILATERAL ASSISTANCE

FOR THOSE MEMBERS FACING TEMPORARY BALANCE OF PAYMENTS
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DIFFICULTIES. IT IS OUR HOPE THAT THIS SAFETY NET WILL
NEVER BE USED, BUT THE CONFIDENCE IT GIVES SHOULD MAKE A
MAJOR CONTRIBUTION TO THE EFFECTIVE FUNCTIONING OF THE
INTERNATIONAL FINANCIAL SYSTEM. BY SO DOING, IT WILL HELP
TO AVOID A SITUATION IN WHICH INDIVIDUAL COUNTRIES, ANXIOUS
TO GAIN GREATER PROTECTION, WOULD BE TEMPTED TO TAKE RESTRICTIVE
MEASURES WHICH WOULD IN THE END BE DETRIMENTAL TO ALL.

TURNING TO TRADE MATTERS, LET ME RE-EMPHASIZE THAT IN
ADAPTING INTERNATIONAL TRADE POLICIES TO THE NEW SITUATION, WE
MUST DISCOURAGE NATIONS FROM TURNING INWARDS AND SEEKING
UNILATERAL SOLUTIONS TO THEIR PROBLEMS. TOWARD THAT END,
THE UNITED STATES HAS RECENTLY ENACTED LEGISLATION, THE
TRADE ACT OF 1974, WHICH WILL HELP US TO WORK CONSTRUCTIVELY
AND POSITIVELY TOWARD AN INCREASINGLY OPEN WORLD TRADING SYSTEM.
LET ME REASSURE YOU THAT WE ARE FIRM IN OUR RESOLVE TO
IMPLEMENT THE TOKYO DECLARATION. LEKUAHQ
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GELUGYNITHE DEVELOPING COUNTRIES. A SPECIFIC MANDATE
IN OUR TRADE ACT GIVES SPECIAL CONSIDERATION TO DEVELOPING
COUNTRY IHPX

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MLIXTEVN INTERNATIONAL TRADE.

IN SHORT, WHILE THE CHALLENGES OF THE INTERNATIONAL ECONOMY
HAVE GROWN SUBSTANTIALLY IN SIZE AND COMPLEXITY, WE ARE WELL
ADVANCED IN FORMULATING AN INTERNATIONAL RESPONSE THAT WILL
BE EQUAL TO THEM. THE MOST IMPORTANT TASK NOW BEFORE US IS TO
CONTINUE OUR EFFORTS TO MEET THESE CHALLENGES THROUGH IMPROVED
INTERNATIONAL COOPERATION.

STRONGER U. S. SUPPORT FOR THE BANK

IT IS WITHIN THIS CONTEXT THAT THE UNITED STATES VIEWS
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THE NEED FOR INTERNATIONAL COOPERATION TO ACCELERATE BASIC ECONOMIC DEVELOPMENT. WE RECOGNIZE THAT THE ASIAN DEVELOPMENT BANK IS A CRITICAL MULTILATERAL INSTITUTION FOR FURTHERING SUCH DEVELOPMENT IN THIS REGION.

WITHIN THE LAST SEVERAL MONTHS, THE CONGRESS IN OUR COUNTRY HAS SIGNALLED OUR OWN SUPPORT FOR THE BANK BY TAKING TWO IMPORTANT ACTIONS:

-- LAST DECEMBER, \$362 MILLION WAS AUTHORIZED AS THE UNITED STATES SHARE IN THE BANK'S REPLENISHMENT OF ORDINARY CAPITAL, AND

-- LAST MONTH, AN APPROPRIATION WAS MADE OF THE SECOND \$50 MILLION FOR THE ASIAN DEVELOPMENT FUND AND THE PAID-IN PORTION OF OUR FIRST INSTALLMENT TO THE REPLENISHMENT OF ORDINARY CAPITAL.

YESTERDAY, ON BEHALF OF MY GOVERNMENT, I TRANSFERRED THIS SECOND \$50 MILLION CONTRIBUTION TO THE ASIAN DEVELOPMENT FUND AND ARRANGED TO SUBSCRIBE TO A FURTHER \$121 MILLION OF ORDINARY SHARE CAPITAL.

WE HAVE BEEN PARTICULARLY PLEASED WITH THE PERFORMANCE OF THE BANK DURING THE PAST YEAR UNDER THE FINE LEADERSHIP OF PRESIDENT INOUE. LET ME HIGHLIGHT JUST A FEW OF THE TRENDS WE FIND MOST FAVORABLE:

-- THE BANK HAS RECOGNIZED THE IMPORTANCE OF INCREASING FOOD PRODUCTION BY EXPANDING ITS OWN SUPPORT OF AGRICULTURE. LAST YEAR 25 PERCENT OF ALL LOAN PROJECTS WERE IN THE AGRICULTURAL SECTOR. THE BANK HAS ALSO INCREASED ITS LENDING ACTIVITIES FOR FERTILIZER PLANTS AND FEEDER ROADS.

-- BY SETTING UP THE ASIAN DEVELOPMENT FUND IN 1974, THE BANK HAS ESTABLISHED AN INTEGRATED SOURCE OF CONCESSIONAL RESOURCES FOR COUNTRIES WITH LOW PER CAPITA INCOME WHOSE BALANCE OF PAYMENTS OUTLOOK IS NOT SUFFICIENTLY STRONG TO RELY SOLELY ON ORDINARY CAPITAL LOANS. THE BANK HAS ALSO PROPERLY DECIDED TO RESERVE THE USE OF CONCESSIONAL FUNDS TO THE POOREST OF ITS MEMBER COUNTRIES.

-- IN ADDITION, THE BANK FOLLOWED A RESPONSIBLE COURSE IN 1974 BY RAISING ITS INTEREST RATE TO 8-3/4 PERCENT ON ORDINARY CAPITAL LOANS AND BY ADOPTING A SPLIT RATE UNDER WHICH IT CHARGES 9-1/2 PERCENT FOR LOANS TO HIGH INCOME COUNTRIES. THIS IS A STEP IN THE RIGHT DIRECTION TOWARD "GRADUATING" BORROWING COUNTRIES THAT CAN OBTAIN EXTERNAL LIMITED OFFICIAL USE

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FINANCING QUITE READILY IN THE PRIVATE CAPITAL MARKET.

-- THE BANK'S NET INCOME FOR 1974 HAS INCREASED SUBSTANTIALLY TO \$26.4 MILLION. IN MY VIEW, THE BANK OUGHT TO TRANSFER SOME OF ITS NET INCOME TO THE ASIAN DEVELOPMENT FUND, BEGINNING NEXT YEAR.

-- I MIGHT ALSO NOTE THAT THE BANK HAS BORROWED IN THE U. S. MARKET FOR THE FIRST TIME SINCE 1971. I WELCOME THIS ENTRY

INTO OUR MARKET; AT THE SAME TIME, I HOPE THAT THE BANK WILL AVOID BORROWING IN CURRENCIES WHICH ARE NOT INTERNATIONALLY TRADED AND ARE THUS POTENTIALLY SUBJECT TO LARGE AND ARBITRARY CHANGES IN VALUE. IN STEPPING UP ITS BORROWING, THE BANK SHOULD ALSO BE MINDFUL OF THE DANGERS OF INCREASING LIQUIDITY BEYOND ITS NEEDS.

-- FINALLY, LET US RECOGNIZE THAT THE BANK HAS ALSO MADE PROGRESS IN ADMINISTRATIVE REORGANIZATION, INCLUDING THE ESTABLISHMENT OF AN INDEPENDENT EVALUATION GROUP. THIS SETS THE STAGE FOR FURTHER IMPROVEMENT IN IMPLEMENTATION OF LOANS.

IN CONSIDERING THE PROGRESS MADE BY THE BANK, IT IS WISE TO REMEMBER THAT THE AMOUNT OF NEW LOANS IS NOT ITSELF THE MEASURE OF THE BANK'S CONTRIBUTION TO SUSTAINED ECONOMIC

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DEVELOPMENT IN ITS MEMBER COUNTRIES. THE KEY MEASURE OF THE BANK'S ROLE IS HOW MUCH DEVELOPMENT ACTUALLY TAKES PLACE, AND THIS DEPENDS ON THE QUALITY OF BANK-SUPPORTED PROJECTS AND ON THE BANK'S CONTRIBUTION TO THE PROCESS OF BUILDING INSTITUTIONS, TRAINING PERSONNEL AND SETTING REASONABLE PRIORITIES WITHIN MEMBER COUNTRIES.

LOOKING AHEAD TO THE COMING YEAR, WE SEE THE BANK PLANNING TO EXPAND ITS LENDING PROGRAM, INCREASE THE VOLUME OF RESOURCES IN THE ASIAN DEVELOPMENT FUND AND, LATER, TO INCREASE THE BANK'S CAPITAL BASE.

CONCERNING THE ASIAN DEVELOPMENT FUND, MY OWN GOVERNMENT

STILL HAS \$50 MILLION TO BE APPROPRIATED BY OUR CONGRESS BEFORE WE CAN CONTEMPLATE SEEKING AUTHORIZATION FOR ADDITIONAL RESOURCES. AS WE ADDRESS THE QUESTION OF ADDITIONAL FUNDING WITHIN THE UNITED STATES, I STRONGLY URGE THAT, APART FROM SEEKING NEW RESOURCES FROM MEMBER COUNTRIES, THE BANK ALSO MAKE EVERY EFFORT TO OBTAIN PARTICIPATION AND SPECIAL CONTRIBUTIONS FROM NON-MEMBER COUNTRIES THAT HAVE ESPECIALLY STRONG EXTERNAL POSITIONS

AS FOR ORDINARY CAPITAL, THE BANK RECENTLY HAS BEEN ABLE TO OBTAIN SOME SPECIAL INCREASES IN CAPITAL FROM INDONESIA AND MALAYSIA, AND I UNDERSTAND THAT WITHIN THE NEXT YEAR IT WILL OBTAIN A SPECIAL INCREASE FROM THE FEDERAL REPUBLIC OF GERMANY. IT WOULD BE HIGHLY DESIRABLE IF MEMBER COUNTRIES IN A POSITION TO DO SO WOULD MAKE AVAILABLE SIMILAR SPECIAL INCREASES TO THE BANK'S ORDINARY CAPITAL.

GIVEN THE BANK'S TIGHT RESOURCE POSITION, IT WILL ALSO LIMITED OFFICIAL USE

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BE IMPORTANT TO MAKE EVERY EFFORT TO FUND NEW PROJECTS IN COOPERATION WITH PRIVATE INVESTORS AND BANKS IN THE FORM OF PARALLEL AND JOINT FINANCING. BY ACTIVELY SEEKING THIS TYPE OF ARRANGEMENT, THE BANK COULD, WITH A GIVEN AMOUNT OF ITS RESOURCES, CONTRIBUTE MORE WIDELY TO THE DEVELOPMENT OF ITS MEMBER COUNTRIES.

THE PRIVATE SECTOR IS IMPORTANT TO THE BANK, NOT ONLY AS A CO-LENDER BUT ALSO AS A RECEIPT OF BANK LOANS. IN FACT, SINCE A PRIVATE SECTOR FREE FROM GOVERNMENT CONTROLS IS THE MOST CERTAIN UNDERPINNING FOR ECONOMIC DEVELOPMENT, THE BANK SHOULD SEEK TO INCREASE THE SHARE OF ITS LENDING TO PRODUCTIVE ENTERPRISES OUTSIDE THE PUBLIC SPHERE.

WITH THE VERY RAPID GROWTH IN LENDING OVER THE LAST FEW YEARS, IT WOULD BE PRUDENT IN THE PERIOD IMMEDIATELY AHEAD TO CONCENTRATE ON IMPROVING THE QUALITY OF NEW LOANS AND ON CONTINUING TO SEEK MORE EFFECTIVE IMPLEMENTATION OF LOANS UNDERWAY. TO FURTHER THIS EFFORT, THE BANK MUST WORK TOWARD A SYSTEM OF MORE INTENSIVE PROJECT SUPERVISION. AS THE BANK BECOMES STRONGER IT SHOULD ALSO BECOME MORE ACTIVE IN THE DIFFICULT SECTORS WHERE INNOVATIVE LENDING IS NEEDED -- SUCH AS IN RURAL DEVELOPMENT AND SMALL TOWN WATER SUPPLY PROJECTS WHICH REACH LOWER INCOME GROUPS.

WE HOPE THE BANK WILL ALSO CONTINUE TO STRENGTHEN ITS COST ESTIMATING PROCEDURES FOR PROJECTS IN ORDER TO AVOID THE COST OVERRUNS THAT HAVE BECOME A MAJOR PROBLEM FOR THE INSTITUTION. I STRONGLY BELIEVE THAT COST OVERRUNS SHOULD NORMALLY BE FINANCED FROM OTHER SOURCES, LEAVING FUNDS OF THE BANK AVAILABLE FOR NEW PROJECTS. ASSUMING THE PROJECTS FINANCED BY THE BANK ARE AMONG THE HIGHEST PRIORITY UNDER-TAKINGS FOR THE BORROWING COUNTRY, ALTERNATIVE FINANCING CAN BE FOUND.

WHILE INCREASED PRODUCTION AND PRODUCTIVITY SHOULD REMAIN THE CHIEF OBJECTIVE IN AGRICULTURAL LOANS, WE BELIEVE THE BANK SHOULD ALSO PLACE SPECIAL EMPHASIS ON PROJECTS WHICH ENSURE THAT BENEFITS WILL BE WIDELY SHARED AMONG THE RURAL

POPULATION OF ITS MEMBER COUNTRIES.

WITH REGARD TO POST-PROJECT EVALUATION, I CONGRATULATE THE BANK ON ITS ADOPTION OF AN INDEPENDENT AUDIT MECHANISM. THIS YEAR THE BANK SHOULD MOVE AHEAD RAPIDLY TO SCHEDULE THE EVALUATION OF PROJECTS UNDER THIS NEW INDEPENDENT ARRANGEMENT.

CONCLUSION

GENTLEMEN, IF I MAY, I WOULD LIKE TO CONCLUDE MY REMARKS

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WITH A BRIEF PERSONAL NOTE.

THIS VISIT TO MANILA, WHERE THE PHILIPPINE GOVERNMENT HAS BEEN SUCH A GRACIOUS HOST, BRINGS ME NEAR THE END OF AN EXTENDED TRIP AROUND THE WORLD. IN PARIS, I SIGNED THE AGREEMENT ESTABLISHING THE \$25 BILLION SUPPORT FUND THAT I MENTIONED EARLIER. IN MOSCOW, I LED AN AMERICAN DELEGATION THAT DISCUSSED MEANS OF INCREASING TRADE WITH THE SOVIET UNION. I ALSO MET THERE WITH GENERAL SECRETARY BREZHNEV, WHERE WE EXCHANGED ASSURANCES THAT EACH OF OUR COUNTRIES REMAINED FIRMLY COMMITTED TO A POLICY OF DETENTE.

DURING THE SEVEN DAYS THAT FOLLOWED, I HAD THE PRIVILEGE OF VISITING TWO ASIAN COUNTRIES, INDIA AND SRI LANKA. IN NEW DELHI, I MET WITH PRIME MINISTER GANDHI AND IN COLOMBO, WITH PRIME MINISTER BANDARANAIKE. ON BOTH OCCASIONS, OUR DISCUSSION FOCUSED ON MEANS OF INCREASING MUTUAL COOPERATION BETWEEN OUR COUNTRIES.

THROUGHOUT THIS JOURNEY, I HAVE BEEN STRUCK BY ONE CENTRAL FACT: THE NATIONS OF THE WORLD TODAY SHARE THE SAME ASPIRATIONS. ALL OF US YEARN FOR PEACE AND ECONOMIC PROGRESS. ALL OF US WANT TO OVERCOME THE UNCERTAINTIES AND COMPLEXITIES OF TODAY'S ENVIRONMENT. AND ALL OF US WANT OUR CHILDREN TO GROW UP IN A WORLD THAT IS SECURE FROM HUNGER AND WAR.

ACROSS THE GLOBE, THERE IS TALK TODAY OF CRISIS -- THE CRISIS OF HUNGER, THE CRISIS OF THE INTERNATIONAL ECONOMY, THE CRISIS OF INDOCHINA, AND SO ON. THE LIST IS LONG AND IMPOSING. BUT IN EACH COUNTRY THAT I VISITED, THERE IS ALSO A RECOGNITION THAT IN EVERY CRISIS, THERE IS ALSO OPPORTUNITY.

WE HAVE WITHIN OUR GRASP TODAY THE OPPORTUNITY TO BUILD AN INTERNATIONAL COMMUNITY IN WHICH THE BLESSINGS OF ECONOMIC AND SOCIAL PROGRESS CAN BE EXTENDED TO EVERY CHILD. CERTAINLY, WE HAVE OUR PROBLEMS. WE WILL ALWAYS HAVE THEM IN THE INTERNATIONAL COMMUNITY. BUT LET US NOT ALLOW OUR PROBLEMS TO BECOME INSURMOUNTABLE BARRIERS OR TO OBSCURE THE INTERESTS THAT WE SHARE TOGETHER. LET US INSTEAD MEET THESE PROBLEMS HEAD-ON BY RECOGNIZING OUR COMMON BONDS AND WORKING TOGETHER TO FIND SOLUTIONS.

THE UNITED STATES IS EAGER TO PARTICIPATE IN THIS PROCESS. AS WE PREPARE TO CELEBRATE THE TENTH ANNIVERSARY OF THE SIGNING OF THE CHARTER FOR THE ASIAN DEVELOPMENT BANK, I

PLEDGE TO YOU THAT THE UNITED STATES SHALL REMAIN A STEADFAST
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FRIEND IN THE SEARCH FOR PEACE AND ECONOMIC PROGRESS.

THANK YOU.

SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SPEECHES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA05221
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750142-0427
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750425/aaaaaxan.tel
Line Count: 665
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SECRETARY SIMON'S SPEECH BEFORE THE ASIAN DEVELOPMENT BANK IN MANILA
TAGS: OVIP, EFIN, EAID, US, RP, ADB, (SIMON, WILLIAM E)
To: TRSY STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006